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ECONOMIC GROWTH

(Economic Reform, Private Sector Development, Trade and Agriculture)

Mindanao cities draw BPO firms large and small

(Source: Philippine Daily Inquirer News Online – 5/6/08)

DAVAO CITY -- Fierce competition in the business process outsourcing industry is speeding up the expansion throughout Mindanao of BPO firms looking to lower operating costs and access new sources of trained personnel to fill market demand.

Davao and Cagayan de Oro are becoming known as BPO hubs offering a wide range of services, but there is still room for regional expansion. Current estimates of the total number of call centers in the Philippines range from 90 to more than 120. Fewer than 10 of these are in Mindanao, which has a quarter of the national population.

The global BPO industry will generate an estimated US\$310 billion by 2010, according to the Oxford Business Group. The Philippines is projected to take 10 percent of the world market, and Mindanao stands to benefit from the countrywide expansion.

Most larger-scale firms now investing in Mindanao are in Davao and Cagayan de Oro. "There are 3,000 existing seats in five call centers in Davao alone, with 3,000 more in the pipeline," said Andre Fournier of the Davao City Chamber of Commerce and Industry.

Link2Support, Inc. already employs several hundred call center agents in Davao and Cagayan de Oro. Western Wats, a US-based firm, is investing P60 million in its Davao operations, according to recent news reports.

Joji Ilagan Bian, president of the Philippine Call Center Alliance, points out that Mindanao is also attracting firms planning small-scale centers with 250 seats or less. "They're considering other urban centers, like General Santos, Zamboanga, Iligan and Cotabato," Bian said.

General Santos, a bustling agro-industry hub, is said to be planning a city-wide wireless network using WiMAX technology, which should make it more attractive to BPO investors. The city already has a fiber optic network in place.

The three-hectare Mabuhay IT Park, established in "Gen San" by private developer Mabuhay Technopark Corp., is designed as a one-stop facility for voice, video and data services, with secured network communications and back-up power supply.

The potential BPO labor force in the city includes 5,000 new graduates from in-city colleges per year, with about 10,000 more from contiguous areas, including Sarangani, South Cotabato, and Sultan Kudarat, according to a report prepared with the Board of Investment's assistance.

"General Santos is definitely at par with other ICT hubs," said Ellorenc Cruz of BOI. "The only hindrance is the lingering perception of security risks in the region. We had the same problem in 2002 when promoting the country as a whole as a BPO hub. Little by little, the firms started coming in to Manila, then to other cities. And now they're coming to Mindanao."

Filipino-owned BPO firms appear to have already discounted these security perceptions, Bian said. "I tell other firms less familiar with the region that they should just come over and judge for themselves. They can incubate accounts with a limited number of seats and see how well things work out."

Skilled BPO workers are to be found throughout Mindanao, said Bian, who operates several call center training schools. Most of the region's universities and technical vocation institutions are now offering extension courses in BPO skills. Iligan City and Zamboanga have particularly large labor pools and strong college-level programs in information technology.

"Graduates with IT skills or call center training end up migrating to Cebu and Manila to get jobs, said Bian. "Why not bring the business closer to the labor pool?"

Setting up BPO operations right at the manpower source has advantages for both the firms and their local hires, according to USAID's Growth with Equity in Mindanao (GEM) Program, which, with the oversight of the Mindanao Economic Development Council, is helping to expand employment opportunities and improve IT infrastructure in the island-region.

Jan Ced, president of Mabuhay Technopark Corp., said he was approached by a U.S.-based firm which had noted from its database that many of its call center agents in Manila had come from Region 12.

The firm is considering asking these employees to move back to Mindanao, to staff a call center in Gen San. "This company clearly is aware that when agents are in their home base, the attrition rate is lower," Ced says.

Mindanao-based personnel who do not have to commute and pay rent as they would in Manila and Cebu are content with a lower pay scale. "Also, since call center jobs carry more prestige in Mindanao, personnel are more committed," Fournier added.

When young people are being gainfully employed, according to the GEM Program, this helps to ensure the peace and economic development of their communities.

Call center agents from Zamboanga have been known to trade 20,000-peso call center jobs in Manila for 12,000-peso jobs in their home city because, they say, there they can enjoy a better quality of life.

Brenda Nazareth-Manzano, regional director of the Department of Science and Technology, points out that incoming BPO firms would have the benefit of strong inter-agency collaboration: "In Zamboanga, the telecomm and energy sector agencies have been working closely with the city government, line agencies and academe to attract BPO firms."

Operating costs in Mindanao can be 25 to 30 percent less than in Manila or Cebu. Power in General Santos and Zamboanga is less than five pesos per kWh, compared with P10 per kWh in Cebu and P8.23 per kwh in Metro Manila.

Philippine labor economists forecast the creation of up to two million jobs in BPO-related industries by 2010. The GEM Program would like to help ensure that Mindanao receives an equitable share of such opportunity.